

Message Text

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C O N F I D E N T I A L SAN JOSE 3073

LIMDIS

E.O. 11652: GDS

TAGS: EMIN, ECON, CS

SUBJECT: ALCOA MANAGER EXPECTS CONTRACT NEGOTIATIONS TO BEGIN SOON

REF: SAN JOSE 2842

1. SUMMARY: ALCOA MANAGER BILLY MCNISH TOLD EMBOFF AUGUST 28 THAT THE "JUSTICIATION SESSION" FOR ALCOA'S PROPOSED SMELTER PROJECT HAD GONE WELL. HE SAID HE BROUGHT BACK INSTRUCTIONS TO BE RESPONSIVE TO ANY GOCR REQUEST TO BEGIN CONTRACT NEGOTIATIONS--WHICH HE EXPECTS TO BE MADE SOON--BUT THAT HE SHOULD NOT TAKE THE INITIATIVE HIMSELF. END SUMMARY.

2. MCNISH CLAIMED THERE HAVE BEEN NO DIRECT APPROACH BY GOCR REPRESENTATIVES SINCE HIS RETURN FROM PITTSBURG, HOWEVER, HE EXPECTS THE GOCR TO REQUEST THAT NEGOTIATIONS BE STARTED FAIRLY PROMPTLY. HE BASES THIS ESTIMATE ON THE FACT THAT A DECREE DATED AUGUST 9, 1973, WAS RECENTLY PUBLISHED, NAMING A NATIONAL ALUMINUM COMMISSION FOR THE PURPOSE OF OVERSEEING THE GOCR ALUMINUM POLICY. THIS COMMISSION, HEADED BY MINISTER OF ECONOMY, INDUSTRIES AND COMMERCE KOGAN WILL ALSO CONSIST

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OF THE MINISTER OF PUBLIC WORKS AND TRANSPORT, THE

MANAGER OF ICE, AND THE PRESIDENT OF THE COSTA RICAN DEVELOPMENT CORPORATION. ALSO NAMED TO THE COMMISSION ARE CARLOS MANUEL CASTILLO, GOCR PETROLEUM ADVISER; OSCAR ARIAS, FORMER MINISTER OF PLANNING; AND MARIO BURGOS AND ALEX MURRAY, BOTH DIRECTORS OF ICE.

MCNISH THINKS ESTABLISHMENT OF THE COMMISSION IS AN OUTGROWTH OF A SUGGESTION MADE BY ALCOA TO PRESIDENT FIGUERES THAT COSTA RICA SHOULD NAME A SINGLE AUTHORITY FOR ALL ALUMINUM MATTERS (ALCOA HAD IN MIND A SINGLE INDIVIDUAL, SUCH AS MINISTER OF PUBLIC WORKS RODOLFO SILVA). THE FACT THAT UNDER THE TERMS OF THE DECREE THE COMMISSION IS CHARGED WITH RENDERING A REPORT BY JANUARY 31, 1974, IS INTERPRETED BY MCNISH AS MEANING THE COMMISSION WILL ACT AS NEGOTIATING AUTHORITY FOR THE GOCR AND WILL, IF EVERYTHING GOES WELL, HAVE A DRAFT AGREEMENT READY FOR PRESENTATION TO THE ASSEMBLY SHORTLY AFTER ELECTIONS.

3. MCNISH FEELS THAT TRICK WILL BE TO CARRY ON NEGOTIATIONS AS QUIETLY AS POSSIBLE IN ORDER TO KEEP THE CONTRACT OUT OF ELECTION CAMPAIGN POLITICS. HE SEEMED TO THINK THAT THE GOVERNMENT WOULD FEEL IT WAS IN ITS INTEREST TO DO THIS AS WELL. WHILE HE HAD PREVIOUSLY EXPRESSED THE VIEW TO US THAT IT WOULD BE IN ALCOA'S INTEREST TO PUT OFF NEGOTIATIONS UNTIL AFTER ELECTIONS, HE SAID HE NOW FELT THAT THIS ALTERNATIVE WAS NOT AVAILABLE.

4. CONCERNING THE BORUCA DAM PROJECT WHICH WILL BE NEEDED TO SUPPLY ELECTRIC POWER FOR THE PROPOSED SMELTER, MCNISH SAID THAT A CONSULTANT MUTUALLY ACCEPTABLE TO ALCOA AND THE ELECTRIC POWER INSTITUTE, ICE, WOULD ARRIVE IN COSTA RICA IN THE VERY NEAR FUTURE TO FIRM UP COST ESTIMATES ON THIS PHASE OF THE PROJECT. HE NOTED THAT HIS WOULD HAVE TO BE DONE BEFORE ALCOA COULD GIVE ITS GO-AGEAD TO THE PROJECT AND WOULD OF COURSE BE NECESSARY BEFORE SERIOUS NEGOTIATIONS FOR FINANCING OF THE HYDROELECTRIC COMPLEX COULD BE UNDERTAKEN. ON THIS POINT MCNISH DID NOT SEEM TO THINK THAT THE VARIOUS NEGOTIATIONS FOR STUDIES NEED BE SEQUENTIAL. RATHER HE

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SAID NEGOTIATIONS FOR FINANCING OF THE DAM PROJECT SHOULD GET STARTED EVEN BEFORE GOCR/ALCOA CONTRACT NEGOTIATIONS ARE CONCLUDED.

5. WITH REGARD TO THE DOUBTS THAT JOHN HARPER OF ALCOA HAD EXPRESSED CONCERNING COSTA RICA'S INVESTMENT CLIMATE, AS REPORTED IN PARAGRAPHS 2 AND 3 IN REFTTEL, MCNISH SAID THAT HE HAD BEEN RELIEVED TO FIND THAT THIS

WAS MORE IN THE NATURE OF A GENERALIZED CONCERN FOR THE
OVERALL INVESTMENT CLIMATE IN RLSTA RICA AND THE CARIBBEAN
AND WAS NOT SPECIFICALLY FOCUSED ON COSTA RICA. HE SAID,
HOWEVER, THAT ALCOA'S LEGAL DEPARTMENT HAD QUESTIONED
HIM IN SOME DETAIL ON THE IMPLICATION OF VESCO FOR
COSTA RICAN INVESTMENT CLIMATE.
VAKY

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